



ABN 32 009 220 053

NOTICE OF ANNUAL GENERAL MEETING, EXPLANATORY STATEMENT AND PROXY FORM

Date of Meeting: Tuesday, 20 November 2018

Time of Meeting: 10.00am (WST)

Place of Meeting: Atlas Pearls
47 - 49 Bay View Terrace
Claremont, Western Australia

This Notice of Annual General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Annual General Meeting please do not hesitate to contact the Company Secretary on +61 8 9284 4249.

ATLAS PEARLS LTD

ABN 32 009 220 053

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Shareholders of Atlas Pearls Ltd ("Atlas Pearls" or "the Company") will be held as follows:

TIME: 10.00am (WST)

DATE: Tuesday, 20 November 2018

LOCATION: Atlas Pearls, 47 - 49 Bay View Terrace, Claremont, Western Australia

**This Notice of Annual General Meeting should be read in its entirety.
If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers without delay.**

If you wish to discuss any aspects of this document with the Company, please contact the Company Secretary on +61 8 9284 4249.

Words and phrases used in the Resolutions are defined in Section 7 of the accompanying Explanatory Statement and these words and phrases have the same meaning in this Notice of Annual General Meeting as defined in the Explanatory Statement.

AGENDA

ORDINARY BUSINESS

Financial Statements and Reports

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2018 including the declaration of the Directors, the Directors' report, the Remuneration Report and the Auditor's report.

RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, the following resolution as a **non-binding** resolution:

"That, for the purpose of section 250R(2) of the Corporations Act, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2018."

Note: Pursuant to section 250R(3) of the Corporations Act, the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Exclusion Statement

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above may vote on this Resolution if:

- (c) the person is acting as proxy and the proxy form specifies how the proxy is to vote, and the vote is not cast on behalf of a person who is otherwise excluded from voting on this Resolution as described in sub-paragraphs (a) or (b) above; or
 - (d) the person is the chair of the Annual General Meeting voting an undirected proxy which expressly authorises the chair to vote the proxy on a resolution connected with the remuneration of a member of Key Management Personnel.
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RESOLUTION 2 – RE-ELECTION OF DIRECTOR MR GEOFFREY NEWMAN

To consider and, if thought fit, to pass, the following resolution as an ordinary resolution:

“That, Mr Geoffrey Newman, who retires by rotation in accordance with section 10.7(b) of the Company’s Constitution and Listing Rule 14.5 and, being eligible, offers himself for election, be re-elected as a Director.”

RESOLUTION 3 – ELECTION OF DIRECTOR MR CADELL BUSS

To consider and, if thought fit, to pass, the following resolution as an ordinary resolution:

“That, for the purpose of section 10.3 of the Company’s Constitution, Listing Rule 14.4 and for all other purposes, Mr Cadell Buss, a Director appointed on 1 February 2018 retires and being eligible, is re-elected as a Director.”

RESOLUTION 4 – APPROVAL OF EMPLOYEE SHARE OPTION PLAN

To consider and, if thought fit, pass the following as an ordinary resolution:

“That, for the purpose of Exception 9 of Listing Rule 7.2, sections 259B(2) and 260C(4) of the Corporations Act and for all other purposes, approval is given for the Company’s Employee Share Option Plan and for the issue of securities under the Employee Share Option Plan from time to time as an exception to Listing Rule 7.1 in accordance with the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion

The Company will disregard any votes cast in favour of Resolution 4 by or on behalf of any Director and any associate of a Director except one who is ineligible to participate in any employee incentive scheme in relation to the entity. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form, or it is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

RESOLUTION 5 – APPROVAL OF ISSUE OF INCENTIVE OPTIONS TO MR PIERRE FALLOURD

To consider and, if thought fit, pass the following as an ordinary resolution:

"That, for the purposes of ASX Listing Rule 10.11, Chapter 2E of the Corporations Act and for all other purposes, approval is given for the issue of 5,419,695 Incentive Options to Mr Pierre Fallourd (or his nominee) on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion

The Company will disregard any votes cast in favour of Resolution 5 by Mr Fallourd (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form, or it is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Questions and Comments

The Chairman will allow a reasonable opportunity for Shareholders to ask questions about or make comments on the management of the Company.

Dated this 20 September 2018

By order of the Board of Directors

A handwritten signature in black ink, appearing to read 'S. Hunter', followed by a period.

Susan Hunter
Company Secretary

IMPORTANT INFORMATION

EXPLANATORY STATEMENT

Shareholders are referred to the Explanatory Statement accompanying and forming part of this Notice of Annual General Meeting for further explanation of the Resolutions.

PROXIES

Members are encouraged to attend the meeting, but if you are unable to attend the meeting, we encourage you to complete and return the enclosed Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has the right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

To be effective, a Proxy Form and, if the Proxy Form is signed by the shareholder's attorney, the authority under which the appointment is signed (or a certified copy of that authority) must be received by the Company not later than 48 hours before the time specified for the commencement of the Annual General Meeting.

CORPORATE REPRESENTATIVES

A body corporate that is a Shareholder, or which has been appointed as proxy, may appoint an individual to act as its representative at the Annual General Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the meeting evidence of his or her appointment, including any authority under which it is signed, unless it has previously been given to the Company.

DATE FOR DETERMINING HOLDERS OF SHARES

In accordance with Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), the Directors have set a date to determine the identity of those entitled to attend and vote at the Annual General Meeting. For the purposes of determining voting entitlements at the Annual General Meeting, Shares will be taken to be held by the persons who are registered as holding at 10.00am (WST) on Sunday, 18 November 2018. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Annual General Meeting.

ATLAS PEARLS LTD

ABN 32 009 220 053

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to assist Shareholders with their consideration of the Resolutions proposed for the Annual General Meeting of the Company to be held at Atlas Pearls, 47-49 Bay View Terrace, Claremont, Western Australia at 10.00am (WST) on Tuesday, 20 November 2018.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions. Terms and abbreviations used in this Explanatory Statement are defined in the Glossary.

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Corporations Act, the business of the Annual General Meeting will include receipt and consideration of the Company's financial report for the financial year ended 30 June 2018, together with the declaration of the directors, Directors' report, the Remuneration Report and the Auditor's report. The Company will not provide a hard copy of the Company's Annual Report to Shareholders unless specifically requested to do so. The Annual Report is available on the Company's website at www.atlaspearls.com.au.

There is no formal resolution to be put in respect of this matter. However, Shareholders will be given the opportunity to make comments and ask questions in respect of the above reports.

A representative of the Company's Auditor will be present at the Meeting and Shareholders will have the opportunity to ask the Auditor questions in relation to the conduct of the audit, the Auditor's report, the Company's accounting policies and the independence of the Auditor.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

2.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the company or the directors of the company.

The remuneration report sets out the company's remuneration arrangements for the directors and senior management of the company. The remuneration report is part of the directors' report contained in the annual financial report of the company for a financial year.

The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on the remuneration report at the annual general meeting.

2.2 Voting consequences

A company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (Spill Resolution) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (Spill Meeting) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the most recent financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

At the Company's previous annual general meeting, the votes cast against the remuneration report were less than 25%.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR MR GEOFFREY NEWMAN

Clause 10.7(b) of the Constitution requires that when required to do so by the Corporations Act or the Listing Rules, the Company must hold an election of directors. Listing Rule 14.5 requires the Company to hold an election of Directors at each annual general meeting.

Mr Newman was last re-elected a Director of the Company at the 2016 annual general meeting. In accordance with clause 10.7(b) of the Constitution and ASX Listing Rule 14.5, Mr Newman is required to retire and being eligible for election, offers himself for re-election.

Mr Newman was appointed to the Board as a Non-Executive Director on 15 October 2010 and Chairman of the Board on 16 February 2015. Details on Mr Newman's qualifications and experience are included below:

GEOFF NEWMAN B.Ec (Hons), MBA, FCPA ,FAICD

Mr. Newman has over 27 years' experience in finance, marketing and general management roles in organisations either directly involved in the resources sector or providing services and products to businesses in that sector. In 1995, after managing Bunnings Pulpwood operations for a number of years, he joined Coogee Chemicals Pty Ltd as Commercial Manager and then was appointed to the Board as Finance Director in the following year. Until August 2005 he was Finance Director/Chief Financial Officer and Company Secretary of both Coogee Chemicals and its oil and gas subsidiary Coogee Resources Pty Ltd before he retired from the Coogee Group at the end of June 2006.

If elected, the Board considers Mr Newman will be an independent Director.

The Board (excluding Mr Newman) unanimously supports the re-election of Mr Newman and recommends that Shareholders vote in favour of Resolution 2.

4. RESOLUTION 3 – ELECTION OF DIRECTOR MR CADELL BUSS

Section 10.2(b) of the Constitution allows the Directors to appoint a natural person to be a Director, either to fill a causal vacancy or as an addition to the existing number of Directors. Under section 10.3, any Director so appointed holds office only until the following annual general meeting of the Company and is then eligible for re-election.

Mr Cadell Buss was appointed to the Board as a Non-Executive Director on 1 February 2018.

Mr Buss will retire in accordance with clause 10.3 of the Constitution and, being eligible, seeks re-election.

Details on Mr Buss' qualifications and experience are included below:

CADELL BUSS MBA, MPM, GAICD

Mr Buss has extensive experience in marketing, communications and advertising spanning 20 years in the industries of Fast Moving Consumer Goods, Sports Administration and Local Government. His career commenced in sales, progressing into senior leadership engagements at leading commercial enterprises, including Fosters Group Limited, Guinness International and DJ Carmichael Pty Ltd. He was Chief Executive Officer of DJ Carmichael Pty Ltd from January 2014 to April 2018.

If elected, the Board considers Mr Buss will be an independent Director.

The Board (excluding Mr Buss) unanimously supports the re-election of Mr Buss and recommends that Shareholders vote in favour of Resolution 3.

5. RESOLUTION 4 – APPROVAL OF EMPLOYEE SHARE OPTION PLAN

5.1 Introduction

The Company is seeking to establish an Employee Share and Option Plan (ESOP) for the benefit of its employees and contractors. Resolution 4 seeks Shareholder approval for the ESOP and also for the issue of securities pursuant to the ESOP for a period of three years.

5.2 ASX Listing Rule 7.2

ASX Listing Rule 7.1 allows the Company to issue a maximum of 15% of its capital in any 12 month period without requiring Shareholder approval.

Listing Rule 7.2 provides certain exceptions to Listing Rule 7.1, allowing certain issues of securities to be excluded from the calculation of the number of securities issued during the 12 month period. Exception 9 of Listing Rule 7.2 provides that Listing Rule 7.1 does not apply to an issue under an employee incentive plan if, within three years before the date of issue, shareholders have approved the issue under the ESOP as an exception to Listing Rule 7.1.

Resolution 4 proposes that Shareholders consider and approve the ESOP in accordance with ASX Listing Rule 7.2 (Exception 9), which would enable securities issued under the ESOP over the next 3 years to be excluded from the calculation of the number of securities issued for the purposes of Listing Rule 7.1.

5.3 Information required by ASX Listing Rule 7.2

For the purpose of Exception 9 of Listing Rule 7.2, the following information is provided:

- (a) the terms and conditions of the ESOP are summarised in Schedule 1;
- (b) no Options have been issued under the ESOP as at the date of this Notice; and
- (c) a voting exclusion statement is included in the Notice.

5.4 Sections 259B and 260C of the Corporations Act

As set out in Schedule 1, the terms of the ESOP allow the Company to make a loan or pay a cash bonus to an eligible participant in connection with an offer of securities under the ESOP. Any loan provided by the Company may be secured against the securities issued under the ESOP.

Section 259B(1) of the Corporations Act prohibits a company from taking a security over shares in itself except as permitted by that section. Section 259B(2) of the Corporations Act allows a company to take security over shares in itself under an employee share scheme that has been approved by a resolution passed at a general meeting of the company.

Section 260A of the Corporations Act prohibits a company from financially assisting a person to acquire shares (or units of shares) in the company except in certain prescribed cases. Section 260C(4) of the Corporations Act provides that financial assistance is exempted from section 260A if it is given under an employee share scheme that has been approved by a resolution passed at a general meeting of the company.

Resolution 4 proposes that Shareholders consider and approve the ESOP for the purposes of both sections 259B(2) and 260C(4) of the Corporations Act.

5.5 Directors' recommendation

Each of the Directors recommends that Shareholders vote in favour of Resolution 4.

6. RESOLUTION 5 - ISSUE OF INCENTIVE OPTIONS TO MR PIERRE FALLOURD

6.1 General

Resolution 5 seeks Shareholder approval for the issue of 5,419,695 Incentive Options to Mr Pierre Fallourd who is the Managing Director of the Company.

The Company seeks to issue the Incentive Options to Mr Fallourd as part of his remuneration package and as an incentive to help drive the future value of the Company.

As at the date of this Notice, Mr Fallourd's base remuneration is \$262,800 per annum (inclusive of superannuation).

6.2 ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act

The Company seeks Shareholder approval for the purpose of Listing Rule 10.11 and under Chapter 2E of the Corporations Act to enable the Company to issue the Incentive Options to Mr Fallourd.

Subject to certain exceptions, Listing Rule 10.11 restricts a company from issuing or agreeing to issue equity securities to a related party without shareholder approval. If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

Chapter 2E of the Corporations Act regulates the provision of financial benefits to related parties by a public company. Section 208 of the Corporations Act prohibits a public company giving a financial benefit to a related party unless one of a number of exceptions applies or shareholder approval is obtained.

A "financial benefit" is defined in the Corporations Act in broad terms and expressly includes a public company issuing securities. Section 208 of the Corporations Act provides that for a public company to give a financial benefit to a related party of that company, the public company must:

- a) obtain the approval of members in the way set out in sections 217 to 227; and
- b) give the benefit within 15 months after the approval.

For the purpose of this Meeting and in accordance with section 228 of the Corporations Act a related party of the Company includes:

- a) a Director; and
- b) an entity controlled by a Director.

Accordingly, Resolution 5 also seeks Shareholder approval for the issue the Incentive Options to Mr Fallourd (or his nominees) for the purposes of Chapter 2E of the Corporations Act.

6.3 Information required by ASX Listing Rule 10.13 and section 219 of the Corporations Act

In accordance with the requirements of Listing Rule 10.13 and Chapter 2E of the Corporations Act, the following information is provided to Shareholders to allow them to assess the issue of the Incentive Options to Mr Fallourd pursuant to Resolution 5:

- (a) the Incentive Options will be issued and allotted to Mr Fallourd (or his nominee);
- (b) a total of 5,419,695 Incentive Options will be issued and allotted;
- (c) the Company will issue and allot the Incentive Options as soon as practicable after the Meeting and, in any event, no later than 1 month after the date of the Meeting (or such longer period as ASX may, in its discretion, allow);
- (d) the Incentive Options will be issued for nil consideration and as such no funds will be raised from the grant of the Incentive Options. Shareholders should note that the Company will receive subscription monies if the Incentive Options are exercised however the amount received will depend upon the volume weighted average price of the Company's Shares in the 30 trading days prior to the date of the Meeting and cannot be determined at the date of this Notice;
- (e) the vesting dates for the Options will be as follows:
 - (i) 20% (1,083,939 Options) will vest immediately;
 - (ii) 30% (1,625,908 Options) will vest on 1 July 2019; and
 - (iii) 50% (2,709,848 Options) will vest on 1 July 2020;
- (f) the exercise price of the Incentive Options will be 142.8% of the volume weighted average price of the Company's Shares in the 30 trading days prior to the date of the Meeting. As such, the exercise price of the Incentive Options will be at a premium to the price at which Shares are trading on ASX on the issue date;
- (g) based on the volume weighted average price of the Company's Shares in the 30 trading days prior to the date of this Notice (being 2.2 cents each), the exercise price of the Incentive Options would be 3.14 cents per Share. The actual exercise price of the Incentive Options will be advised to Shareholders and the market the day before the Meeting;
- (h) upon exercise of the Incentive Options, the recipient will be issued one Share in the capital of the Company for each Incentive Option exercised. The Shares will rank equally in all respects with the other Shares on issue in the Company;
- (i) the remaining terms of the Incentive Options are set out in Schedule 2;
- (j) Mr Fallourd has an interest in 3,866,762 Shares and 2,000,000 unlisted options exercisable at \$0.059 each on or before 31/12/18 at the date of this Notice;

- (k) Mr Fallourd received remuneration totally \$273,725 from the Company for the year ended 30 June 2018 and it is expected that he will receive \$273,725 in the current financial year;
- (l) in the twelve months before the date of this Notice, the highest, lowest and last trading price of the Company's Shares were as follows:

	Price	Date
Highest	4.2 cents	15 January 2018
Lowest	2.0 cents	17 September 2018
Last	2.1 cents	20 September 2018

- (m) the value of the Incentive Options has been calculated as 1.0 cents each using the Black-Scholes valuation method and based on the assumptions set out in section 6.4 below;
- (n) based on the valuation in paragraph (m) above, the financial benefit to Mr Fallourd will be \$54,197;
- (o) the exercise by Mr Fallourd of all 5,419,695 Incentive Options to be issued pursuant to Resolution 5 will result in a dilution of all other Shareholders' holdings in the Company of:
- 1.3% based on the total number of issued Shares at the date of this Notice; and
 - 1.9% on a fully diluted basis;
- (p) as noted above, the purpose of the issue of Incentive Options is to allow the Company to remunerate and provide a cost-effective incentive for the ongoing dedication and efforts of Mr Fallourd as Managing Director of the Company. The Directors do not consider there are any significant opportunity costs to the Company or benefits forgone by the Company in issuing the Incentive Options upon the terms proposed;
- (q) in determining the number and the terms of the Incentive Options to be issued, the Company has considered Mr Fallourd's role within the Company, the current market price of the Company's Shares and current market practice, including the number and terms of the options which have been issued to the executive directors of other ASX listed companies in the Company's peer group; and
- (r) other than the information above and otherwise in this Explanatory Statement, the Company believes that there is no other information that would reasonably be required by the Shareholders to pass Resolution 5.

6.4 Valuation of Incentive Options

The Incentive Options have been valued as at 12 September 2018 using the Hoadley Trading & Investment Tools *Barrier 1* trinomial option valuation method.

The valuation has been based upon the following inputs and assumptions:

- a spot Share price of 2.3 cents;
- an exercise price of 3.28 cents;
- a risk free rate of 2.02% per annum;
- a volatility factor of 85% which has been determined with reference to the historical trading of the Company's Shares on ASX; and
- an expiry date of 30 June 2021.

Based on the above, the Incentive Options to be issued pursuant to Resolution 5 have been valued at 1.0 cents each.

The table below analyses the impact on the value of the Incentive Options in the event of an increase in the assumptions listed above, where all other assumptions remain the same:

Assumption Increased	Effect on Value of Incentive Option
Share Price	Increase
Exercise Price	Decrease
Life of the Option	Increase
Volatility	Increase
Risk Free Interest Rate	Increase

Assuming a variation in the Share Price of between 2.8 cents and 1.8 cents (being +/- approximately 20% of the spot price referred to in section 6.4(a)), and all other variables remaining unchanged, the variation in the value of the Incentive Options would be as follows under the valuation method:

Share Price	Value per Incentive Options	Total value
2.8 cents	1.21 cents	\$65,578
2.7 cents	1.17 cents	\$63,410
2.6 cents	1.12 cents	\$60,701
2.5 cents	1.08 cents	\$58,533
2.4 cents	1.04 cents	\$56,365
2.3 cents	1.00 cents	\$54,197
2.2 cents	0.95 cents	\$51,487
2.1 cents	0.91 cents	\$49,319
2.0 cents	0.87 cents	\$47,151
1.9 cents	0.82 cents	\$44,441
1.8 cents	0.78 cents	\$42,274

6.5 Directors' recommendation

Mr Fallourd has an interest in Resolution 5 on the basis that he will receive 5,419,695 Incentive Options if Resolution 5 is passed and therefore believes it inappropriate to make a recommendation. The remaining Directors do not have an interest in the outcome of Resolution 5 and recommend that Shareholders vote in favour of Resolution 5 so that Mr Fallourd is adequately incentivised to deliver increased value to the Company through his future efforts.

7. GLOSSARY

Annual Report	means the Company's annual financial report for the year ended 30 June 2018.
Annual General Meeting or Meeting	means the annual general meeting of Shareholders to be held at Atlas Pearls Ltd, 47-49 Bay View Terrace, Claremont, WA at 10.00am on 20 November 2018.
ASX	means ASX Limited (ABN 98 008 624 691), or as the context requires, the financial market operated by it.
Atlas or Atlas Pearls	means Atlas Pearls Ltd (ABN 32 009 220 053).
Auditor	means BDO Audit (WA) Pty Ltd.
Board	means the board of Directors of the Company.
Chair or Chairman	means the chair of the Annual General Meeting.
Closely Related Party	of a member of the Key Management Personnel means: <ul style="list-style-type: none"> (a) a spouse or child of the member; (b) a child of the member's spouse; (c) a dependant of the member or of the member's spouse; (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the Company; or (e) a company the member controls.
Company	means Atlas Pearls Ltd (ABN 32 009 220 053).
Constitution	means the Company's constitution.
Corporations Act	means the Corporations Act 2001 (Cth).
Director	means a director of the Company.
ESOP or Plan	means the Company's employee share and option plan, the terms of which are set out in Schedule 1 of this Explanatory Statement.

Explanatory Statement	means this explanatory statement attached to the Notice of Annual General Meeting.
Incentive Options or Options	means the options to be issued to Mr Pierre Fallourd pursuant to Resolution 5, the terms of which are set out in Schedule 2 of this Explanatory Statement.
Key Management Personnel	has the same meaning as in Australian accounting standards. Broadly speaking this includes those persons with the authority and responsibility for planning, directing and controlling the activities of the Company (whether directly or indirectly), and includes any Directors.
Listing Rules	means the listing rules of the ASX.
Meeting Date	means the date of the Annual General Meeting the subject of the Notice.
Notice or Notice of Annual General Meeting	means the notice of Annual General Meeting accompanying this Explanatory Statement.
Proxy Form	means the proxy form enclosed with the Notice of Annual General Meeting.
Related Party	means a party so defined by section 228 of the Corporations Act.
Remuneration Report	means the remuneration report as contained in the Annual Report.
Resolution	means a resolution proposed to be passed at the Annual General Meeting and contained in the Notice of Annual General Meeting.
Section	means a section of the Explanatory Statement.
Share	means a fully paid ordinary share in the capital of the Company.
Shareholder	means a person, corporation or body holding a Share on the register of shareholders.
WST	means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1

SUMMARY OF THE TERMS OF EMPLOYEE SHARE AND OPTION PLAN

1. The Plan is to extend to Eligible Persons or Eligible Associate (as the case may be) of the Company or an Associated Body Corporate of the Company as the Board may in its discretion determine.
2. The total number of Securities which may be offered by the Company under the Plan shall not at any time exceed 5% of the Company's total issued Shares when aggregated with the number of Securities issued or that may be issued as a result of offers made at any time during the previous three year period under:
 - (a) an employee incentive scheme covered by ASIC CO 14/1000; or
 - (b) an ASIC exempt arrangement of a similar kind to an employee incentive scheme.
3. The Shares are to be issued at a price determined by the Board.
4. The Options are to be issued for no consideration.
5. The exercise price of an Option is to be determined by the Board at its sole discretion.
6. The Option Commencement Date will be any such date or dates with respect to the Options or tranches of Options (as the case may be) as may be determined by the Board prior to the issuance of the relevant Options.
7. The Option Period commences on the Option Commencement Date and ends on the earlier of:
 - (a) the expiration of such period nominated by the Board at its sole discretion at the time of the grant of the Option but being not less than two years;
 - (b) if an Eligible Person's employment or engagement with the Company or an Associated Body Corporate ceases because of an Uncontrollable Event, the earlier of:
 - (1) the expiry of the Option Period; or
 - (2) six months (or such other period as the Board shall, in its absolute discretion, determine) from the date on which the Eligible Person ceased that employment or engagement;
 - (c) if an Eligible Person's employment or engagement with the Company or an Associated Body Corporate ceases because of a Controllable Event:
 - (1) the expiry of the Option Period; or
 - (2) three months (or such other period as the Board shall, in its absolute discretion, determine) from the date on which the Eligible Person ceased that employment or engagement; or
 - (d) the Eligible Person ceasing to be employed or engaged by the Company or an Associated Body Corporate of the Company due to fraud, dishonesty or being in material breach of their obligations to the Company or an Associated Body Corporate.
8. Eligibility to participate is determined by the Board. Eligibility is restricted to Eligible Persons (or their Eligible Associates where applicable) of the Company or an Associated Body Corporate of the Company. The Board is entitled to determine:
 - (a) subject to paragraph 2, the total number of Shares and Options to be offered in any one year to Eligible Persons or Eligible Associates;
 - (b) the Eligible Persons to whom offers will be made; and

- (c) the terms and conditions of any Shares and Options granted, subject to the Plan.
9. In respect of Options, Option holders do not participate in dividends or in bonus issues unless the Options are exercised.
 10. Option holders do not have any right to participate in new issues of securities in the Company made to shareholders generally. The Company will, where required pursuant to the ASX Listing Rules, provide Option holders with notice prior to the books record date (to determine entitlements to any new issue of securities made to shareholders generally) to exercise the Options, in accordance with the requirements of the ASX Listing Rules.
 11. In the event of a pro rata issue (except a bonus issue) made by the Company during the term of the Options the Company may adjust the exercise price for the Options in accordance with the formula in the terms of the Plan.
 12. The Board has the right to vary the entitlements of Participants to take account of the effect of capital reorganisations, bonus issues or rights issues provided always that in the event of a reorganisation (including consolidation, sub-division, reduction or return) of the issued capital of the Company, the rights of an Option holder will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
 13. The terms of the Options shall only be changed if holders (whose votes are not to be disregarded) of Shares in the Company approve of such a change. However, the terms of the Options shall not be changed to reduce the Exercise Price, increase the number of Options or change any period for exercise of the Options.
 14. The Board may impose as a condition of any offer of Shares and Options under the Plan any restrictions on the transfer or encumbrance of such Shares and Options as it determines.
 15. The Board may vary the Plan.
 16. The Plan is separate to and does not in any way form part of, vary or otherwise affect the rights and obligations of an Eligible Person under the terms of his or her employment or arrangement.
 17. At any time from the date of an Offer until the acceptance of that Offer, the Board undertakes that it shall provide information as to:
 - (a) the Current Market Price of the Shares; and
 - (b) the acquisition price of the Shares or Options offered where this is calculated by reference to a formula, as at the date of the Offer,
 to any Participant within three Business Days of a written request to the Company from that Participant to do so.
 18. Any Offer made pursuant to the Plan will specify whether subdivision 83A-C of the applicable Tax Laws applies to that Offer such that any tax payable by a Participant under the Offer will be deferred to the applicable deferred taxing point described in that subdivision.
 19. In the Plan:

ASIC CO 14/1000 means ASIC Class Order [14/1000] as amended or replaced from time to time.

Associated Body Corporate in relation to the Company means:

- (a) a Related Body Corporate of the Company;
- (b) a body corporate that has voting power in the Company of not less than 20%; or
- (c) a body corporate in which the Company has voting power of not less than 20%.

Contractor in relation to the Company or an Associated Body Corporate means:

- (a) an individual with whom the body has entered into a contract for the provision of services under which the individual performs work for the body; or
- (b) a company with whom the body has entered into a contract for the provision of services under which an individual, who is a director of the company or their spouse, performs work for the body,

where the individual who performs the work under or in relation to the contract is, or might reasonably be expected to be, engaged to work the number of hours that are the pro-rata equivalent of 40% or more of a comparable full-time position with the body.

Controllable Event means cessation of employment or engagement other than by an Uncontrollable Event.

Current Market Price means the closing market price as that term is defined in the ASX Listing Rules.

Eligible Associate means:

- (a) an immediate family member of an Eligible Person;
- (b) a company whose members comprise no persons other than the Eligible Person or immediate family members of the Eligible Person; or
- (c) a corporate trustee of a self-managed superannuation fund (within the meaning of the *Superannuation Industry (Supervision) Act 1993*) where the Eligible Person is a director of the trustee.

Eligible Person means a Director, Employee or Contractor of the Company or an Associated Body Corporate of the Company.

Employee means a full-time, part-time or casual employee of the Company or an Associated Body Corporate of the Company.

Exercise Price means the exercise price for an Option, which is to be determined by the Board at its sole discretion.

Expiry Date means the expiry date of an Option.

Offer means an offer to take up Securities made pursuant to the Plan.

Option Commencement Date means date of the commencement of the Option Period as determined by the Board prior to the issuance of the relevant Option.

Option Period means the period during which an Option may be exercised.

Participant means an Eligible Person or an Eligible Associate who accepts an offer from the Board to participate in the Plan.

Related Body Corporate has the meaning given to that term in the Corporations Act.

Securities mean Shares or Options in the Company and **Security** has a corresponding meaning.

Tax Laws means the *Income Tax Assessment Act 1997* (Cth) and the *Income Tax Assessment Act 1936* (Cth).

Uncontrollable Event means:

- (a) death, serious injury, disability or illness which renders the Eligible Person incapable of continuing their employment or engagement (or providing the services the subject of the engagement) with the Company or Associated Body Corporate;
- (b) forced early retirement, retrenchment or redundancy; or
- (c) such other circumstances which results in an Eligible Person leaving the employment of or ceasing their engagement with the Company or Associated Body Corporate and which the Board determines is an Uncontrollable Event.

SCHEDULE 2

TERMS OF INCENTIVE OPTIONS

Terms not otherwise defined in this Schedule 2 have the meaning given in the ESOP.

1. The Options will be issued for no consideration.
2. The Vesting Dates (and Option Commencement Dates) for the Options will be as follows:
 - a. 20% will vest immediately;
 - b. 30% will vest on 1 July 2019; and
 - c. 50% will vest on 1 July 2020.
3. The Exercise Price for each Option will be 142.8% of the volume weighted average price of the Company's Shares on ASX in the 30 trading days prior to the Meeting Date.
4. The Expiry Date for the Options will be 30 June 2021.
5. The Option Period for each Option commences on the relevant Vesting Date and ends on the earlier of:
 - a. the Expiry Date; or
 - b. if the Eligible Person's employment or engagement with the Company or an Associated Body Corporate ceases because of an Uncontrollable Event, the earlier of:
 - i the expiry of the Option Period in (a) above; or
 - ii 6 months;
 - c. if the Eligible Person's employment or engagement with the Company or an Associated Body Corporate ceases because of a Controllable Event, the earlier of:
 - i the expiry of the Option Period in (a) above; or
 - ii 3 months; or
 - d. if the Eligible Person's employment or engagement with the Company or an Associated Body Corporate ceasing due to fraud, dishonesty or being in material breach of your obligations to the Company or Associated Body Corporate.
6. The Options may be exercised wholly or in part by delivering a duly completed written notice of exercise (**Option Exercise Notice**) together with a cheque for the Exercise Price per Option to the Company within the earlier of 30 days of delivery of the Option Exercise Notice or the Business Day prior to the expiry of the Option Period.
7. The number of Options that may be exercised at one time must be exercised so as to result in the allotment of a Marketable Parcel.
8. Upon the valid exercise of the Options and payment of the Exercise Price, the Company will issue fully paid ordinary Shares ranking pari passu with the then issued ordinary shares.
9. The Company will apply for listing on the ASX of the resultant Shares of the Company issued upon exercise of any Option.
10. The Option holder will not participate in dividends or bonus issues, with respect to those Options, unless those Options are exercised.
11. The Option holder does not have any right to participate in new issues of securities in the Company made to Shareholders with respect to those Options. The Company will, where

required pursuant to the ASX Listing Rules, provide the Option holder with notice prior to the books record date (to determine entitlements to any new issue of securities made to shareholders generally) to exercise the Options, in accordance with the requirements of the ASX Listing Rules.

12. In the event of a pro rata issue (except a bonus issue) made by the Company during the terms of the Options, the Company may adjust the exercise price for the Options in accordance with the following formula:

$$O' = O - \frac{E [P - (S + D)]}{N + 1}$$

where

- | | | |
|----|---|---|
| O' | = | the new exercise price of the Option |
| O | = | the old exercise price of the Option |
| E | = | the number of underlying securities into which one Option is exercisable |
| P | = | the average market price per Share
(weighted by reference to volume) of the underlying Shares during the five trading days ending on the day before the ex rights date or ex entitlements date |
| S | = | the subscription price for a security under the pro-rata issue |
| D | = | the dividend due but not yet paid on existing underlying securities (except those to be issued under the pro-rata issue) |
| N | = | the number of securities with rights or entitlements that must be held to receive a right to one new security |

13. The Board has the right to vary the entitlements of Option holders to take account of the effect of capital reorganisations, bonus issues or rights issues provided always that in the event of a reorganisation (including consolidation, sub-division, reduction or return) of the issued capital of the Company, the rights of an Option holder will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
14. The terms of the Options will only be changed if holders (whose votes are not to be disregarded) of Shares in the Company approve of such a change. However, the terms of the Options shall not be changed to reduce the Exercise Price, increase the number of Options or change any period for exercise of the Options.
15. The Company will not apply for listing of the Options on the ASX.

ATLAS PEARLS

ABN 32 009 220 053

ATP

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:



Online:

www.investorvote.com.au



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form

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Vote and view the annual report online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I999999999

PIN: 99999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



For your vote to be effective it must be received by 10:00am (WST) Sunday, 18 November 2018

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form** ➔

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030



Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

IND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

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I/We being a member/s of Atlas Pearls Ltd hereby appoint

☐ the Chairman of the Meeting OR

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Atlas Pearls Ltd to be held at Atlas Pearls, 47 - 49 Bay View Terrace, Claremont, Western Australia on Tuesday, 20 November 2018 at 10:00am (WST) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 1, 4 and 5 (except where I/we have indicated a different voting intention below) even though Resolutions 1, 4 and 5 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolutions 1, 4 and 5 by marking the appropriate box in step 2 below.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Director Mr Geoffrey Newman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Election of Director Mr Cadell Buss	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval of Employee Share Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval of Issue of Incentive Options to Mr Pierre Fallourd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	Securityholder 2	Securityholder 3
<input type="text"/>	<input type="text"/>	<input type="text"/>
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name	Contact Daytime Telephone	Date
<input type="text"/>	<input type="text"/>	<input type="text"/>